

DEPARTMENT OF TREASURY

BUREAU OF ENGRAVING AND PRINTING

FISCAL YEAR 2006

CONGRESSIONAL BUDGET SUBMISSION

**BUREAU OF ENGRAVING AND PRINTING
FY 2006 PERFORMANCE BUDGET PLAN SUBMISSION**

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STRATEGIC CONTEXT FOR THE FY 2006 BUDGET/PERFORMANCE PLAN (Exhibit 1a)

This document presents justification of the FY 2006 budget by demonstrating how funding enables achievement of the strategic goals of the Bureau of Engraving and Printing (BEP), and how achievement of those goals is monitored through performance goals, measures, and reports.

Mission

The Bureau's mission is to design and manufacture high quality security documents that meet customer requirements for quality and performance, including counterfeit deterrence. As reported in BEP's PART submission to OMB, the Bureau's program purpose is clear, addresses a specific problem, and is neither redundant nor duplicative of another governmental program.

Key Strategic Issues and Link to Resource Request

In achieving this mission, the key strategic issue facing the Bureau is the need to maintain its capability to produce and deliver quality products to its customers in the most cost-effective manner, while aggressively implementing a major redesign of currency. By maintaining the production of high quality currency, BEP enhances the integrity of U.S. currency and supports the Department's strategic goal to preserve the integrity of financial systems. These strategic challenges are being met through a coordinated program to update technology, develop the workforce and improve work processes. Significant resource investments have been and will continue to be made as currency redesign efforts are ongoing. Following the successful introduction of the redesigned \$20 and \$50 notes into circulation in FY 2004, the \$10 note is scheduled to be redesigned and in production in 2005 and will be placed into circulation in FY 2006. Research continues on possible additional counterfeit deterrent features for inclusion in the redesigned \$100 note. To support production of redesigned currency, the Bureau has initiated a multi-year effort to replace currency production lines in its Washington DC facility that have been in continuous operation for 15-25 years and are fully depreciated.

Key Strategy Impacts

Production of the next generation currency design was necessary to thwart the technological advances available to counterfeiters and to maintain the integrity of the Nation's money supply. The redesign of the \$100 note could have significant impact on the budget plans for FY 2006. Depending on the counterfeit deterrent features selected for the new \$100 note design, BEP's current production capabilities may require additional investments to support its production. In January 2005, BEP released a solicitation intended to identify possible additional counterfeit deterrent features for inclusion in the \$100 note. Direct costs to produce the \$100 note may increase, as increasing complex designs are considered for the \$100 note, such designs may require more costly materials, and productivity and spoilage results may be less than optimum during testing and production start-up. While cost will be a factor in the redesign effort, the Bureau and the Federal Reserve recognize the importance of maintaining the integrity of the Nation's money supply.

BUREAU OF ENGRAVING AND PRINTINGS SUPPORT OF TREASURY GOALS AND OBJECTIVES (TABLE 1.1)**Treasury Strategic Goal: Preserve the Integrity of Financial Systems (F3)**

Treasury Strategic Objective	BEP's Strategic Goal	BEP's Performance Goals linked to Strategic Goal
Increase the reliability of the U.S. Financial system. (F3C)	<p>Satisfy the Federal Reserve Board and the public by providing responsive service and quality products.</p> <p>Manufacture state-of-the art currency of consistently high quality while improving productivity and cost performance.</p> <p>Produce state-of-the-art currency that deters counterfeiting, contributes to public confidence facilitates daily commerce, and extends the useful life of notes in circulation.</p> <p>Ensure an environment of comprehensive security and accountability for the Bureau's personnel, facilities and products.</p>	<p>A. Meet the customers delivery requirements cost effectively.</p> <p>B. Improve the quality, productivity, and cost effectiveness of the Bureau's core manufacturing processes.</p> <p>C. Produce consistently high quality counterfeit deterrent notes.</p> <p>D. Maintain an accurate and cost effective system of accountability for Bureau products, which will ensure that products are accounted for during production and that customers receive the correct quantities of product.</p> <p>E. Continue to provide effective resource management to support the achievement of effective business results.</p>

SUMMARY OF TOTAL OPERATING LEVEL BY TREASURY GOAL AND OBJECTIVE (TABLE 2.1)

(Dollars in Thousands)			
TREASURY GOAL/OBJECTIVE	FY 2004 Actual	FY 2005 Estimated	FY 2006 Estimated
Treasury Goal: Preserve the Integrity of Financial Systems (F3)			
Budget Obligations	\$554,000	\$530,000	\$575,000
Full-time Equivalents (FTE)	2,331	2,400	2,400
<u>Objective</u> : <i>Increase the Reliability of the U.S. Financial System (F3C)</i>			
Budget Obligations	\$554,000	\$530,000	\$575,000
Full-time Equivalents	2,331	2,400	2,400

DIGEST OF FY 2006 BUDGET ESTIMATES BY ACTIVITY (TABLE 2.3)

(Dollars in Thousands)

BUDGET ACTIVITY	FY 2004 Actual		FY 2005 Budget Estimated		FY 2006 Budget Estimated		FY 2006 INCREASE (+) OR DECREASE (-) FOR FY 2006					
							TOTAL CHANGES		PROGRAM CHANGES		OTHER CHANGES	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
1. Manufacturing	1,831	496,000	1,900	471,000	1,900	514,000	0	43,000	0	43,000	0	0
2. Protection and Accountability of Assets	500	58,000	500	59,000	500	61,000	0	2,000		2,000		0
Subtotal, Budget Authority (All Sources)	2,331	554,000	2,400	530,000	2,400	575,000	0	45,000	0	45,000	0	0
Less adjustments for other funding sources:		0		0		0		0		0		0
Total budget estimate	2,331	554,000	2,400	530,000	2,400	575,000	0	45,000	0	45,000	0	0
TOTAL, Engraving and Printing Fund	2,331	554,000	2,400	530,000	2,400	575,000	0	45,000	0	45,000	0	0

SUMMARY OF REVENUE FROM OPERATIONS (TABLE 2.4)DEPARTMENT OF THE TREASURY
BUREAU OF ENGRAVING AND PRINTING FUND

	Number of Units Delivered (In Millions)			Revenue (In Thousands)		
	<u>Actual</u>	<u>Estimated</u>		<u>Actual</u>	<u>Estimated</u>	
	2004	2005	2006	2004	2005	2006
Currency	8,800	8,600	10,000	\$491,179	\$507,000	\$569,000
Postage Stamps	6,100	5,000	0	19,501	17,000	0
Other				14,072	6,000	6,000
Total Bureau Products	14,900	13,600	10,000	\$524,752	\$530,000	\$575,000
Total revenue from operations				\$524,752	\$530,000	\$575,000
Total cost of operations				\$553,558	\$530,000	\$575,000
Net Income				(\$28,806)	\$0	\$0

SUMMARY OF EXPENSES (Table 2.5)

DEPARTMENT OF THE TREASURY
BUREAU OF ENGRAVING AND PRINTING FUND
(in thousands of dollars)

	2004 Actual	2005 Estimated	2006 Estimated
<u>Operating Costs:</u>			
Manufacturing Labor	36,500	37,250	38,500
Salaries and other indirect labor	157,500	161,750	167,000
Employer's share of personnel benefits	42,000	43,250	44,500
Benefits for former employees	460	450	500
Direct material	156,000	140,000	172,000
Factory and other supplies	20,000	12,000	15,000
Depreciation and amortization	41,000	42,000	45,000
Standard level user charges	2,500	2,500	2,500
Rent, communications and utilities	18,500	15,000	16,000
Uncut currency	5,000	5,000	5,000
Other Services	72,000	71,000	75,000
Repair parts and supplies	4,000	5,000	7,000
Travel and transportation of persons	1,300	1,250	1,500
Transportation of things	200	200	200
Printing and reproduction	6,000	1,000	1,000
Minor equipment	1,500	1,500	1,500
Insurance claims and indemnities	100	100	100
TOTAL Operating Costs	564,560	539,250	592,300
Less: Maintenance shop costs capitalized	2,000	2,000	2,000
Add: Net increase (-) or decrease (+) in finished goods and work in process inventories	(9,000)	(7,000)	(15,000)
Adjusted Cost of Sales	\$553,560	\$530,250	\$575,300

NARRATIVE SUMMARY OF PROGRAM RESOURCES AND PERFORMANCE (EXHIBIT 3a)

In the first quarter of FY 2005, Treasury launched a process to streamline its current set of performance measures. Its purpose was to increase the value of the information provided to our stakeholders, respond to congressional requests, focus our priorities, and reduce administrative burden. This streamlining resulted in 60-70% reduction in the number of performance measures overall at the Treasury level. At the bureau level, measures that are no longer included in the budget submission are classified as "discontinued", and are indicated as such. The end result will be apparent in next year's performance report and budget submission, in the form of a more concise explanation of program performance relative to prior years.

The Bureau of Engraving and Printing's (BEP) FY 2006 performance budget is presented programmatically to align resources with performance. BEP's operations are divided into two major budget activities: Manufacturing, and Protection and Accountability of Assets. For each activity, program budget and performance information are provided to explain historical trends and performance challenges and expectations.

Budget Activity: Manufacturing

BEP's Manufacturing Activity supports Treasury's strategic objective, Increase the Reliability of the U.S. Financial System. The mission of the Bureau is to design and manufacture high quality security documents that meet customer requirements for quality and performance, including counterfeit deterrence. BEP utilizes the latest technologies for security printing and processing, including automated inspection equipment in order to produce the Nation's currency. The manufacturing of state-of-the-art currency deters counterfeiting, contributes to public confidence, and facilitates daily commerce. The Bureau's production equipment is operated by highly skilled craft personnel that have developed their unique skills through multi-year apprenticeship programs.

Budget Activity: Protection and Accountability of Assets

The Bureau's Protection and Accountability of Assets Activity also supports Treasury's strategic objective, Increase the Reliability of the U.S. Financial System. BEP's ability to provide effective and efficient product security and accountability during the manufacture and delivery of currency notes to the Federal Reserve preserves the integrity of the Nations' currency. The Bureau's annual financial statement audit represents an assessment by an independent, certified public accounting firm of the integrity of the Bureau's revolving fund and the reliability of the financial data used for managerial decision-making. Successful financial reporting at the Bureau is a joint effort that requires coordination between BEP financial management, operations, and information technology personnel, as well as close coordination with the independent, certified public accounting firm contracted to perform the annual audit and the Office of Inspector General, which oversees their work.

Bureau of Engraving and Printing

SUMMARY OF PROGRAM RESOURCES AND PERFORMANCE (TABLE 3.1) (Dollars in Thousands)							
Treasury Goal: Preserve the Integrity of Financial Systems (F3)							
MANUFACTURING BUDGET ACTIVITY	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2004		FY 2005 Estimate	FY 2006 Estimate
				Target	Actual		
Functions: The Bureau is the sole source provider of United States currency and a source of other security documents issued by the Government. For FY 2006, currency production is budgeted at 10 billion notes. These program targets will be accomplished through the most efficient and effective use of production equipment, personnel, and inventory resources available. Manufacturing includes operations directly related to design, engraving, printing, processing, and delivery of U.S. currency and other security products. It also includes the following support services: engineering, quality, procurement, inventory management, and research (including counterfeit deterrence research and development).							
Total Operating Level (appropriated and reimbursable)	\$384,000	\$412,000	\$462,000	\$501,000	\$496,000	\$471,000	\$514,000
Total FTE (direct and reimbursable)	2,007	1,973	1,942	1,900	1,849	1,900	1,900
Treasury Objective: Increase the reliability of the U.S. Financial system. (F3C)							
Offsetting Collections [reimbursable]	\$384,000	\$412,000	\$462,000	\$501,000	\$496,000	\$471,000	\$514,000
Reimbursable FTE	2,007	1,973	1,942	1,900	1,849	1,900	1,900
Performance Goals: Meet customer's delivery requirements cost effectively.							
Federal Reserve Note Deliveries (in billions) (Ot)	7.0	7.0	8.2	8.7	8.8	8.6	10.0
Postage Stamp Deliveries (in billions) (Ot)	15.9	12.0	9.9	7.0	6.1	5.0	0.0
1. Manufacturing Costs for Currency (E) (dollar cost per thousand notes produced)	\$23.88	\$30.03	\$29.14	\$35.00	\$28.13	\$30.00	\$31.00
Performance Goals: Improve the quality, productivity, and cost effectiveness of the Bureau's core manufacturing processes.							
2. Maintain/Upgrade ISO Certification (Oe)	Certified	Certified	Certified	Certified	Certified	Discontinued	Discontinued
3. General and administrative costs as a percent of total costs. (E)	--	--	9.7%	9.5%	9.5%	Discontinued	Discontinued
4. Percent of contracts awarded competitively. (E)	--	--	74%	76%	76%	Discontinued	Discontinued
5. Employee turnover rate. (M)	--	--	3	2.75	2.75	Discontinued	Discontinued
Performance Goals: Produce consistently high quality counterfeit deterrent notes.							
6. Percent of currency notes delivered to the Federal Reserve that meet customer quality requirements. (M)	N/A	N/A	99.90%	99.90%	100.00%	99.90%	99.90%

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, and M - Management/Customer Satisfaction Measure

Note: The postage stamp manufacturing program is being phased-out in FY 2005 in accordance with the Interagency agreement with the U.S. Postal Service. Over the last year of the stamp program (FY05) the stamp program will generate less than 5% of total Bureau income and incur less than 5% of total Bureau costs. Therefore, the stamp program is not shown separately under the manufacturing budget activity.

Bureau of Engraving and Printing

SUMMARY OF PROGRAM RESOURCES AND PERFORMANCE (TABLE 3.1 cont)							
(Dollars in Thousands)							
Treasury Goal: Preserve the Integrity of Financial Systems (F3)							
PROTECTION AND ACCOUNTABILITY OF ASSETS BUDGET ACTIVITY	FY 2001	FY 2002	FY 2003	FY 2004		FY 2005	FY 2006
	Actual	Actual	Actual	Target	Actual	Estimate	Estimate
Functions:							
Provides physical plant security and personnel security, product accountability, and asset control.							
Total Operating Level (appropriated and reimbursable)	\$50,000	\$51,000	\$56,000	\$58,000	\$58,000	\$59,000	\$61,000
Total FTE (direct and reimbursable)	483	469	485	500	482	500	500
Treasury Objective: Increase the reliability of the U.S. Financial system. (F3C)							
Offsetting Collections [reimbursable]	\$50,000	\$51,000	\$56,000	\$58,000	\$58,000	\$59,000	\$61,000
Reimbursable FTE	483	469	485	500	482	500	500
Performance Goals: Maintain an accurate and cost effective system of accountability for Bureau products.							
1. Currency shipment discrepancies (per million notes) (Oe)	.0000	.0000	.0000	.0000	.0100	.0100	.0100
2. Security costs per 1000 notes delivered (E)	N/A	N/A	N/A	Baseline	\$5.95	\$5.95	\$6.10
Performance Goals: Continue to provide effective resource management to support the achievement of effective business results.							
3. Annual Financial Statement Audit Opinion (M)	unqualified opinion	unqualified opinion	unqualified opinion	unqualified opinion	Discontinued	Discontinued	Discontinued

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, and M - Management/Customer Satisfaction Measure

EVALUATION OF FY 2005 PERFORMANCE PLAN (EXHIBIT 3b)

MANUFACTURING

Evaluation of FY 2005 Performance Plan Compared to FY 2004:

FY 2005 currency production is expected to be about 8.6 billion notes, slightly lower than FY 2004. Postage stamp production is budgeted at 5.0 billion stamps, a reduction of 1.1 billion stamps from 2004. This is consistent with the five-year interagency agreement between the U.S. Postal Service and BEP that planned for the phase out of the production of postage stamps in 2005. Stable production levels in the currency program will allow BEP to fine tune production processes and procedures in anticipation of increased demand for redesigned \$20 notes and production start-up of redesigned \$10 notes. Manufacturing performance results should be on par or better than FY 2004 results.

PROTECTION AND ACCOUNTABILITY OF ASSETS

Evaluation of FY 2005 Performance Plan Compared to FY 2004: The level of performance in FY 2005 should be on par with results achieved in FY 2004. Currency shipment discrepancies are prevented by a series of automated quality and accountability checks performed throughout the entire production process as well as a final manual verification prior to shipment to the customer. Rigorous and redundant accountability controls will be maintained to prevent shipment discrepancies and satisfy Federal Reserve expectations for the control of U.S. currency.

The Bureau of Engraving and Printing does not foresee any circumstance that would preclude receiving an unqualified audit opinion for FY 2005.

FY 2006 PERFORMANCE PLAN (EXHIBIT 3c)

MANUFACTURING

FY 2006 Proposed Performance Plan Explanation

Description of Performance Plan: The mission of the Bureau of Engraving and Printing is to design and manufacture high quality security documents that meet customer requirements for quality and performance, including counterfeit deterrence. BEP utilizes the latest technologies for security printing, end processing including automated inspection equipment in order to produce the Nation's currency. Production equipment is operated by highly skilled craft personnel that have developed their unique skills through multi-year apprenticeship programs. The counterfeit deterrent features in the newly redesigned next generation notes have increased production costs due to an additional production step and more costly raw materials. Depending on the counterfeit deterrence features selected for the new \$100 note design, additional investments in new technologies and specialized training may be required to support its introduction. This could have significant impact on the budget plans for FY 2006 that cannot be determined at this time. Direct costs to produce the \$100 note may increase significantly over current costs to produce the redesigned \$20 note, as increasing complex designs generally require more costly materials while productivity and spoilage results are less than optimum during testing and production start-up of a new product. Additionally, demand for the redesigned \$20 notes is expected to increase as the Federal Reserve accelerates the replacement of 1996 series \$20 notes.

The Bureau's FY 2006 budget and performance estimates are based on current Federal Reserve estimates that they will require 10 billion currency notes in 2006. This estimate is subject to change based on final decisions on the accelerated replacement of old design \$20 notes, possible introduction of a new design for the \$100 note, and actual demand trends over the next year. Since performance and budget targets are volume driven, both are subject to change pending the final Federal Reserve production order.

PROTECTION AND ACCOUNTABILITY OF ASSETS

FY 2006 Proposed Performance Plan Explanation

Description of Performance Plan: The Bureau does not foresee any circumstance that would preclude receiving an unqualified audit opinion for FY 2006. BEP will continue its effort to streamline financial reporting. Successful financial reporting at the Bureau of Engraving and Printing is a joint effort that requires coordination between BEP financial management, operations, and information technology personnel as well as close coordination with the independent, certified public accounting firm contracted to perform the annual audit and the Office of Inspector General, which oversees their work.

PROGRAM ASSESSMENT RATING TOOL REPORT (Exhibit 4b)

PARTed Program and Recommendations	Actions
<p>New Currency Manufacturing (96%) Budget Year 2005</p> <p>PART Recommendation 1:</p> <ol style="list-style-type: none"> 1. Monitor its design and overhead costs related to the manufacture of New Currency to ensure the most efficient production and distribution of future denominations. 2. Continue to work with Federal partners to assess the impact of New Currency on counterfeiting performance measures across government. 	<p>Actions Taken:</p> <p>BEP works closely with the ACD Steering Committee to evaluate future design proposals based on cost/benefit and best value considerations to control design and overhead costs.</p> <p>BEP/Treasury/Federal Reserve/U.S. Secret Service work together within the Advanced Counterfeit Deterrent Steering Committee to assess impacts. The BEP participates jointly with these other federal agencies to determine the effectiveness of current counterfeit deterrence features. The focus of the program is on both the reliability of the manufacturing process in incorporating advanced counterfeit deterrent features in bank notes and the effectiveness of these features through the course of daily cash transactions.</p>

CROSS CUTTING COORDINATION EFFORTS (Exhibit 4c)

The Bureau of Engraving and Printing is an active member of the interagency Advanced Counterfeit Deterrence Committee, which was established by the Department of the Treasury in 1981 to coordinate counterfeit deterrence strategy for U.S. currency. The BEP works closely with the other committee members: the U.S. Secret Service (USSS), the Federal Reserve Board, and the Treasury Department to investigate new design features that will safeguard currency from potential counterfeiting threats posed by advancing technology. The effectiveness of new design features is the critical element in the overall counterfeit deterrence strategy and, as such, is vital to maintaining a safe and stable monetary system. It is also critical to the U.S. Secret Service efforts to suppress counterfeiting of U.S. currency.

In recognition of BEP's role in the shared responsibility for counterfeit prevention, the Bureau of Engraving and Printing participates in a joint project with other federal agencies to determine the effectiveness of current counterfeit deterrence features. This effort represents a true partnership between the BEP as a manufacturer and the USSS and the Federal Reserve as its customers. The focus of the program is on both the reliability and accuracy of the manufacturing process in incorporating advanced counterfeit deterrent features in bank notes and the effectiveness of these features through the course of daily cash transactions. Specifically, the partnership examines counterfeit notes for the quality of the counterfeit feature; and determines the methods by which the notes were counterfeited and "passed" to the public. The objective is to assess the efficacy of each counterfeit deterrent feature.

DETAIL OF FULL-TIME EQUIVALENT STAFF YEARS BY CATEGORY (Table 4.1)

Position Category	Actual FY 2004	Estimated		Increase/Decrease for FY 2006		
		FY 2005	FY 2006	Total Changes	Program Changes	Other Changes
Manufacturing						
Currency	903	950	990	40		40
Postage	77	60	20	(40)		(40)
Manufacturing Support	680	700	700	0		0
Administrative Support	189	190	190	0		0
Protection and Accountability of Assets						
Police Officers	235	250	250	0		0
Security Analysts and Specialists	200	205	205	0		0
Administrative Support	47	45	45	0		0
Subtotal.....	2331	2400	2400	0	0	0
Total full-time equivalent staff years.....	2331	2400	2400	0	0	0

DETAIL OF FULL-TIME EQUIVALENT STAFF YEARS BY GRADE (TABLE 4.2)

Grade	FY 2004 Est. Actual	FY 2005 Proposed Operating Level	FY 2006 Budget Estimate
Executive Level 1.....			
Executive Level 2.....			
Executive Level 3.....			
Executive Level 4.....			
Executive Level 5.....			
Subtotal.....	0	0	0
Senior Executive Service Level Pay Band ^{1/}	9	8	8
Subtotal.....	9	8	8
GS-18.....			
GS-17.....			
GS-16.....			
GS-15.....	33	31	31
GS-14.....	108	108	108
GS-13.....	188	190	190
GS-12.....	177	170	170
GS-11.....	101	100	100
GS-10.....	13	12	12
GS-09.....	81	82	82
GS-08.....	127	130	130
GS-07.....	98	93	93
GS-06.....	58	62	62
GS-05.....	21	21	21
GS-04.....	6	6	6
GS-03.....	0	0	0
GS-02.....	1	1	1
GS-01.....	0	0	0
Subtotal.....	1012	1006	1006
Other.....	1310	1386	1386
Total full-time equivalent staff years.....	2331	2400	2400

VERIFICATION AND VALIDATION OF DATA AND PERFORMANCE MEASUREMENT (Exhibit 4f)

The Bureau of Engraving and Printing has provided a definition as well as verification and validation information for each performance measure listed in the Summary of Program Resources and Performance (Table 3.1). Based on the verification and validation information, each measure's actual performance data is rated as having either: "Reasonable Accuracy" (judged to be sufficiently accurate for program management and performance reporting purposes) or as "Questionable or Unknown Accuracy." In the case of measures where statistical confidence intervals are available, these are provided instead of the rating statements above.

Activity 1, Manufacturing Budget Activity

- **Performance Measure 1:** Manufacturing Costs for Currency (dollar cost per 1000 notes produced)

Definition: An indicator of currency manufacturing efficiency and effectiveness of program management. This standard is developed annually based on the past year's performance, contracted price factors, and anticipated productivity improvements. Actual performance against the standard depends on BEP's ability to meet annual spoilage, efficiency, and capacity utilization goals established for this product line. The formula used to calculate this measure is the total cost of production divided by the number of notes produced divided by 1000.

How the Data is captured: Cost data is collected through BEP's accrual-based cost accounting system.

How the data is verified and validated to make certain it is accurate: BEP's accrual-based cost accounting system is audited annually as part of the financial statement audit.

Data Accuracy: Reasonable Accuracy.

Data Frequency: Quarterly

- **Performance Measure 2:** Maintain/Upgrade International Organization for Standardization (ISO) Certification

Definition: ISO is an internationally recognized quality assurance program aimed at improving the quality of manufactured products. Certification requirements entail implementation and adherence to written procedures and detailed work instructions which document all processes that affect the quality of each product line. ISO certification signifies that the certified organization follows a rigorous quality control program under stringent international standards and provides current and future Bureau customers assurance that our currency-manufacturing program will deliver high quality security products.

How the Data is captured: Certification is achieved based on a successful compliance audit by an independent firm under the auspices of the International Organization for Standardization.

How the data is verified and validated to make certain it is accurate: ISO compliance is verified by periodic audits of the Bureau's quality management system by an independent ISO designated firm. Periodically the International Organization for Standardization updates the quality standards, thereby, requiring organizations already ISO certified to upgrade their quality management systems in order to maintain certification.

Data Accuracy: Reasonable Accuracy.

Data Frequency: Annually

- **Performance Measure 3:** General and administrative costs as a percent of total costs

Definition: This measure is a quantitative indicator of the Bureau's ability to control and minimize its general and administrative support costs.

How the Data is captured: Cost data is collected through BEP's accrual-based cost accounting system.

How the data is verified and validated to make certain it is accurate: BEP's accrual-based cost accounting system is audited annually as part of the financial statement audit.

Data Accuracy: Reasonable Accuracy

Data Frequency: Annually

Performance Measure 4: Percent of Contracts awarded competitively

Definition: This measure tracks the Bureau's commitment to promoting fair and open competition in awarding contracts for goods and services. Competition for goods and services will ensure that they are provided to the government in the most cost efficient and effective means possible.

How the Data is captured: Department of Treasury's personnel within the Contracts Administration Division, Office of Procurement, will collect and report data.

How the data is verified and validated to make certain it is accurate: Procurement performance data will be verified and validated through the Treasury Acquisition Data System.

Data Accuracy: Reasonable Accuracy

Data Frequency: Annually

- **Performance Measure 5:** Employee turnover rate

Definition: This measure tracks the percentage of Bureau employees that voluntarily separate from Bureau employment annually (excluding retirements).

How the Data is captured: The Department of Treasury's HR Connect system, an automated Human Resource database.

How the data is verified and validated to make certain it is accurate: This measure can be verified and validated by the Department's Office of Personnel through the HR Connect System.

Data Accuracy: Reasonable Accuracy

Data Frequency: Annually

- **Performance Measure 6:** Percent of currency notes delivered to the Federal Reserve that meet customer quality requirements

Definition: A qualitative indicator reflecting the Bureau's ability to provide a quality product. All notes delivered to the Federal Reserve go through rigorous quality inspections. These inspections ensure that all counterfeit deterrent features, both overt and covert are functioning as designed.

How the Data is captured: Quality inspections are performed at each Federal Reserve Bank. Any discrepancies found are reported to BEP on a per shipment basis.

How the data is verified and validated to make certain it is accurate: Quality review audits are performed by internal BEP auditors on all Federal Reserve inspection systems as well as the procedures followed in reporting data to BEP. These audits are conducted on an annual basis with additional audits performed upon request by the Federal Reserve Banks.

Data Accuracy: Reasonable Accuracy

Data Frequency: Quarterly

Activity 2, Security and Accountability of Assets Budget Activity

- **Performance Measure 1:** Currency Shipment Discrepancies

Definition: A qualitative indicator reflecting the Bureau's ability to provide effective product security and accountability. This measure refers to product overages or underages of as little as a single currency note in shipments of finished notes to the Federal Reserve Banks.

How the Data is captured: The customer captures this data and reports to BEP on a monthly basis.

How the data is verified and validated to make certain it is accurate: BEP reports product discrepancy data based on monthly information provided by the customer.

Data Accuracy: Reasonable Accuracy

Data Frequency: Quarterly

- **Performance Measure 2:** Security costs per 1000 notes delivered.

Definition: An indicator reflecting the cost of providing effective and efficient product security and accountability. This standard is developed annually based on the past year's cost performance and anticipated cost increases. The formula used to calculate this measure is the total cost of security divided by the number of notes produced divided by 1000.

How the Data is captured: Cost data is collected through BEP's accrual-based cost accounting system.

How the data is verified and validated to make certain it is accurate: BEP's accrual-based cost accounting system is audited annually as part of the financial statement audit.

Data Accuracy: Reasonable Accuracy

Data Frequency: Annually

- **Performance Measure 3:** Annual Financial Statement Audit Opinion

Definition: This measure represents an assessment by an independent, certified public accounting firm of the integrity of the Bureau's revolving fund and the reliability of financial data used for managerial decision-making.

How the Data is captured: An independent, certified public accounting firm performs BEP's annual financial statement audit.

How the data is verified and validated to make certain it is accurate: Treasury's Office of Inspector General provides a co-Contracting Officer's Technical Representative for technical oversight and to conduct a quality review of the external auditor's working papers.

Data Accuracy: Reasonable Accuracy

Data Frequency: Annually

<i>[Engraving & Printing/20X4502] : Summary of IT and Non-IT Capital Investments (Table 4.6)</i>							
(\$000)							
Type	Project Name	Cumulative thru FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
IT							
	Sustain Current Operations:						
	IT Infrastructure (Included in Dept BC)	3,000	3,000	3,000	3,000	3,000	3,000
	Subtotal	3,000	3,000	3,000	3,000	3,000	3,000
Non-IT							
	In-Process Capital Projects:						
	Freight Elevator Automation	8,000					
	Main Chiller Replacement	6,500					
	Power Distribution System Upgrade	11,500	3,500				
	Main Bldg Roof Replacement	8,500					
	Window/Door Replacement			15,000	10,000		
	WCF Expan/Next Generation Equipment	60,000					
	Currency Press Line Replacement (DC)	19,800	50,400	29,800		15,000	15,000
	Subtotal	114,300	53,900	44,800	10,000	15,000	15,000
	Proposed New Capital Projects:						
	Currency Press Line Replace (WCF)				30,000	50,000	50,000
	Security Systems				5,000	5,000	5,000
	Subtotal			0	30,000	50,000	50,000
	Grand Total	117,300	56,900	47,800	43,000	68,000	68,000